



UNITED STATES
POSTAL SERVICE

December 17, 1999

Honorable John M. McHugh
Chairman
Subcommittee on the Postal Service
Committee on Government Reform
House of Representatives
Washington, DC 20515-6246

Dear Mr. Chairman:

This letter and the accompanying enclosure constitute the Postal Service's response to the recommendations of the Data Quality Study, jointly sponsored by the General Accounting Office (GAO), the Postal Rate Commission, and the Postal Service.

The Data Quality Study is the most comprehensive review, outside of Commission proceedings, ever conducted of the Postal Service's ratemaking data. The study concludes that the Postal Service generates sufficiently complete and accurate data for ratemaking purposes. It also provides forty-seven specific recommendations on how data quality could be improved for both ratemaking and management purposes. After separating recommendations that contain multiple items and combining similar and redundant ones, thirty-seven unique action items have been identified and grouped into the following four categories: (1) action items which are being implemented; (2) action items suitable for implementation in the long term; (3) action items requiring further management consideration; and (4) action items unlikely to be implemented because they either hurt data quality or depend on changes in operations that are unlikely to occur within the relevant planning horizon.

Of the eleven action items in the first group, eight already play some role in the next rate filing. Seven items require additional time for implementation. Fifteen action items require further consideration and four are unlikely to be implemented. A more detailed explanation of our responses to the Data Quality Study's complex recommendations accompanies this letter. Postal management and the GAO view the study's recommendations as an outgrowth from your March 24, 1995, letter to the Comptroller General on data quality. In response to concerns about data quality in the 1994 rate filing, you asked the GAO to determine: "How can the Postal Service improve its data collection systems?" Note that the Postal Service did not await the study's recommendations to address these concerns. For instance, the concern about an absence of special studies in the 1994 filing was addressed by the formation of a special studies group in 1995, whose work was incorporated in the 1997 filing. Additionally, a cost systems group was formed in 1997. This group's work will be reflected in the next omnibus filing.

In conclusion, let me reiterate my commitment to continuous improvement of data quality. It is necessary for both ratemaking and operational purposes. In addition, I am initiating a periodic reporting requirement by which the Postal Service will update this subcommittee and the GAO, every six months, on our progress specific to the Data Quality Study's recommendations.

Sincerely,

A handwritten signature in black ink, appearing to read "William J. Henderson".

William J. Henderson

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ACTION ITEMS WHICH ARE BEING IMPLEMENTED

(Uses the New Numbering **Scheme for the Data Quality Study's Appendix F Recommendations.**)

1 Evaluate *the quality of data produced by MODS.*

Actions

- We intend to conduct such an evaluation as part of the preparation for the next omnibus rate case. Specifically, Cost Attribution plans to perform an errors-in-variables analysis that will determine the impact of any errors in MODS data on sub-class Unit Volume Variable Costs. In addition, Operations evaluates MODS data on an ongoing basis. Field reports are regularly examined by headquarters analysts, who report apparent anomalies. After investigation, data entries are corrected if appropriate.

5 Review the **data** being developed by the Delivery Redesign project to **assess** if this information is a possible long-term replacement for **IOCS** and some special **study** data.

Actions

- The data are currently under review. We plan to use some of it in the next omnibus rate case to replace the Street Time Sample Study which was last completed in 1986.

8 Update the Street Time Sampling special study.

Actions

- We plan to use Delivery Redesign data in the upcoming rate case to replace the Street Time Sample Study (last completed in 1986).

17 Prepare clear and complete documentation on the sample design of TRACS at each level of sample selection.

Actions

- Clear and complete documentation has been prepared for the Highway, Passenger Air and Network Air subsystems, and will be filed in the next omnibus rate case. Documentation for the Rail and Amtrak subsystems is targeted for completion during FY 2000.

19 Evaluate the data quality of the National Air and Surface System (NASS) operational system *that* is used as a basis for TRACS samples.

Actions

- A preliminary evaluation has been conducted. Furthermore, we have an ongoing activity to validate NASS through quality assurance efforts during TRACS sample selection and expansion processes.

